

Message Text

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ACTION EA-14

INFO OCT-01 AID-20 EB-11 FSI-01 PM-07 INR-10 IO-13 L-03

NSAE-00 NSC-10 PA-03 RSC-01 RSR-01 DPW-01 PRS-01

OMB-01 SS-15 ADP-00 /113 W

----- 081834

P R 141030Z AUG 73

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC PRIORITY 5929

INFO AMEMBASSY BANGKOK

AMEMBASSY BUDAPEST

AMEMBASSY CANBERRA

AMEMBASSY JAKARTA

AMEMBASSY LONDON

AMEMBASSY MANILA

AMEMBASSY MOSCOW

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY PHNOM PENH

AMEMBASSY SEOUL

AMEMBASSY TOKYO

USIA WASHDC

AMEMBASSY VIENTIANE

AMEMBASSY WARSAW

AMEMBASSY WELLINGTON

USDEL JEC PARIS

CIA

DIA

JCS

JUSMAAG

WHITE HOUSE

USAJFKCMA

AMCONSUL BIEN HOA

AMCONSUL CAN THO

AMCONSUL DANANG

AMCONSUL NHA TRANG

USDAO SAIGON

CINCPAC

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CINCPACAF

CO 7TH PSYOP
CINCPACFLT
CINCUSARPAC
DEPCHIEF JUSMAAG

C O N F I D E N T I A L SECTION 1 OF 2 SAIGON 14675/1

E.O. 11652: GDS
TAGS: PINT PFOR ECON VS
SUBJECT: EMBASSY SAIGON'S MISSION WEEKLY, AUGUST 8-14, 1973

BANGKOK ALSO PASS OSA; DEPT ALSO FOR AID/W; CINCPAC FOR POLAD;
DOD PRO USAJFKCMA ATTN: ATCS-WL-DSA

THE WEEK IN BRIEF

- FIGHTING DECREASES IN MR'S 1 AND 2
- NO PROGRESS IN FPJMT/MIA OR TPJMC
- ICCS INACTIVE
- GVN DEPENDENTS LEAVE PHNOM PENH
- DRV DELEGATION LEAVES BULGARIA
- DRV YOUTH CONGRESS SCHEDULED FOR EARLY 1974
- NO PROGRESS IN GVN/PRG BILATERALS
- PRICE INDEX UP BUT FOOD PRICES DOWN
- BLACK MARKET CURRENCY PRICES HOLD STEADY
- GOLD PRICES UP
- VALUE ADDED TAX MODIFIED

I. INTERNAL

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A. THE CEASEFIRE

THE LEVEL OF MILITARY ACTIVITY INCREASED THIS WEEK IN MILITARY REGIONS 1 AND 2 AND REMAINED ESSENTIALLY THE SAME IN THE SOUTHERN HALF OF THE COUNTRY. FIGHTING IS STILL CONCENTRATED IN THOSE AREAS WHERE THE GVN IS TENACIOUSLY SEEKING TO ROLL BACK COMMUNIST POST-CEASEFIRE GAINS: QUANG NGAI, BINH DINH, KONTUM, BINH DUONG-PHUOC LONG, AND CHUONG THIEN.

CEASEFIRE INCIDENTS IN MR-1 INCREASED TO THE HIGHEST LEVEL SINCE CEASEFIRE II. ALTHOUGH THERE WAS SOME FIGHTING NORTH OF THE HAI VAN PASS (ESPECIALLY A SUCCESSFUL COMMUNIST SAPPER ATTACK ON AN ARVN AIRBORNE POSITION), MOST OF THE ACTIVITY TOOK PLACE IN QUANG NGAI AS ARVN CONTINUES TO PRESSURE COMMUNIST ENCLAVES IN THE COASTAL LOWLANDS AND COMMUNIST RESISTENCE INCREASES. IN MR-2, HOSTILITIES CONTINUE AT THE HIGH LEVEL OF PAST WEEKS IN BINH DINH AND KONTUM. VNAF TACTICAL AIR ACTIVITY IS HIGH IN MR-2. ARVN HAS RESUMED A FRONTAL ATTACK ON ENEMY ENTRENCHMENTS IN THE TRUONG NGHIA AREA JUST WEST OF KONTUM CITY, AND HAS BEEN ATTACKING NORTHWARD FROM PLEIKU INTO THE SOUTHERN FLANK OF ENEMY POSITIONS IN THE SAME AREA.

IN MR-3 BINH DUONG - PHUOC LONG PROVINCES REMAINED THE CENTER OF INTEREST; ROUTE 1A INTO PHUOC LONG REMAINS BLOCKED. THE COMMUNISTS ARE ALSO SERIOUSLY HARRASSING GVN EFFORTS TO REOPEN RAILROAD SERVICE IN LONG KHANH PROVINCE EAST OF XUAN LOC. COMMUNIST ACTIVITY IN THE DELTA REMAINS AT APPROXIMATELY PREVIOUS LEVELS. RVNAF CASUALTIES IN MR-4 AVEGCGE 22 KILLED AND 82 WOUNDED DAILY, WHILE THE GVN IS CLAIMING 47 COMMUNIST SOLDIERS KIA DAILY. ALTHOUGH ACTIVITY REMAINS CONCENTRATED AS USUAL IN CHUONG THIEN, THERE WERE ALSO SIGNIFICANT INCIDENTS IN SA DEC, DINH TUONG, VINH BINH, AND BAC LIEU PROVINCES. STEPPED UP NVA INFILTRATION INTO THE DELTA THROUGH KIEN GIANG PROVINCE HAS BEEN REPORTED.

FOUR PARTY JOINT MILITARY TEAM/MISSING IN ACTION (FPJMT/MIA) ACTIVITIES HAVE NOT BEEN SIGNIFICANTLY ENHANCED BY THE RESUMPTION OF WEEKLY SAIGON-HANOI-SAIGON LIAISON FLIGHTS. THE COMMUNISTS REMAIN UNRESPONSIVE ON ALL MAJOR ISSUES, DESPITE CONSIDERABLE PRESSING BY THE USDEL FOR INFORMATION ON U.S. MISSING-IN-ACTION AND DIED - IN -CAPTIVITY PERSONNEL.

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THERE WAS ALSO VIRTUALLY NO PROGRESS THIS WEEK ON ANY FRONT IN THE TWO PARTY JOINT MILITARY COMMISSION (TPJMC).

THE PRG IS STILL STALLING ON NAMING SPECIFIC TIMES FOR FIELD PICK-UP OF ITS PERSONNEL WHERE AGREEMENT ON SITES HAS BEEN REACHED, AND HAS NOT EVEN DISCUSSED PICK-UP SITES IN SOME AREAS. RESUMPTION OF PRISONER AND CIVILIAN DETAINEE RELEASES REMAINS STYMIED. OTHER IMPORTANT ISSUES REMAIN DEADLOCKED, SUCH AS THE QUESTION OF FIXING MILITARY UNIT LOCATIONS AND ZONES OF CONTROL, AND THE ISSUE OF THE LEVEL OF CONTACT BETWEEN FIELD UNIT COMMANDERS.

THE INTERNATIONAL COMMISSION FOR CONTROL AND SUPERVISION (ICCS) FINANCIAL CRISIS CONTINUES, AND, IN THE WORDS OF THE CHIEF INDOCEL AMBASSADOR DHARSONO, THE ICCS IS "NOT MAKING DECISIONS"

PENDING THE APPOINTMENT OF A FOURTH PARTY TO REPLACE THE CANADIANS. HOWEVER, CERTAIN INDONESIAN FIELDS TEAMS DUTIFULLY CONTINUE TO MAKE UNILATERAL "OBSERVATIONS" OF ALLEGED CEASEFIRE VIOLATIONS. A THREAT BY THE POLES AND HUNGARIANS TO ABANDON THE ICCS SUB-REGION SITE IN GIONG TRONG, KIEN HOA PROVINCE REMAINS UNFULFILLED; THE COMMUNISTS HAVE PROTESTED VNAF AIRSTRIKES WITHIN ABOUT SIX KILOMETERS OF THE ICCS TEAM LOCATION. THE INDONESIANS DISCOUNT THE ALLEGED "DANGER" TO ICCS PERSONNEL AND SAY THEY WILL NOT PULL OUT.

B. UPPER HOUSE ELECTION CAMPAIGN PASSES HALFWAY POINT

THE MONTH-LONG UPPER HOUSE ELECTION CAMPAIGN HAS PASSED THE MID-POINT. ACTIVITY DURING THE PAST WEEK WAS MARKED BY TWO MEETINGS BETWEEN REPRESENTATIVES OF THE FOUR SLATES AND VOTERS, ONE IN DANANG ON AUG 8 AND THE OTHER IN NHA TRANG MD AUG 12. ON BOTH OCCASIONS, EACH SLATE HAD FIFTEEN MINUTES TO SPEAK AND ANSWER QUESTIONS. GENERALLY SPEAKING, THE GATHERINGS DREW LITTLE ENTHUSIASM FROM THE MODEST-SIZED CROWDS THEY ATTRACTED. IN NHA TRANG, HOWEVER, SEVERAL SPIRITED QUESTIONS WERE ASKED AMOUNTING TO UNDIFFERENTIATED CRITICISMS OF ALL FOUR SLATES. THE QUESTIONERS SHOWED SKEPTICISM THAT ANY OF THE SLATES WOULD TRULY LOOK AFTER THE PEOPLES' INTERESTS. BREAD-AND-BUTTER ISSUES, ESPECIALLY HIGH PRICES, WERE THE MAIN TOPICS OF THESE QUESTIONS.

SIMILAR MEETINGS ARE SCHEDULED FOR CAN THO ON AUG 16, BIEN HOA ON
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AUG 20, AND SAIGON ON AUG 24. THE ELECTION WILL BEHELD AUG 26.

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USDEL JEC PARIS
CIA
DIA
JCS
JUSMAAG
WHITE HOUSE
USAJFKCMA
AMCONSUL BIEN HOA
AMCONSUL CAN THO
AMCONSUL DANANG
AMCONSUL NHA TRANG
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C O N F I D E N T I A L SECTION 2 OF 2 SAIGON 14675

II. EXTERNAL

A. GVN EVACUATES 200 DEPENDENTS FROM PHNOM PENH

OFFICIAL VIETNAM PRESS REPORTED ON AUGUST 12 THAT SOME
200 VIETNAMESE RESIDENTS OF PHNOM PENH HAD BEEN VACUATED
TO SAIGON ON VNAF AIRCRAFT AUG 9 AND 10. GVN MILITARY

SPOKESMAN STATED THAT EVACUEESS WERE CIVILIANS, "MOSTLY WOMEN AND CHILDREN", WHO HAD ASKED THE GVN EMB TO BE EVACUATED. (COMMENT: THE STORY AS RENDERED ABOVE IS MISLEADING. THOSE PERSNS EVACUAATED WERE EMB DEPENDENTS. END COMMENT.)

B. DRV DEL LEAVES BULGARIA; VACATIONS IN CRIMEA

TTHE NORTH VITNAMESE DEL HEADED BY PREMIR PHAM VAN DONG BULGARIA ON AUG 1P A ONAUG 10 AFTER A 10 DAY VISIT. MILITARY AND ECONOMIC AID AGREEMENTS AND A COMMODITIES EXCHANGE PACT FOR 1974 WERE SIGNED DURING THE DELS STAY WHICH WAS EXTENDED BEYOND THE ORIGINALLY SCHEDULED FIVE DAYS TO ALLOW THE NORTH VIETNAMESE TO MEET WITH BCP FIRST SECY ZHIVKOV. ON AUG 10 AND 11 MOSCOW MEDIA REPORTED THAT DONG AND HIS ENTOURAGE HAD STOPPED OVER IN THE CRIMEA FOR A REST "ON ITS WAY HOME." AT LAST REPORT VWP FIRST SECY LE DUAN, WHO HEADED THE DRV DEL DURING ITS VISIT TO THE USSR, WAS ALSO VACATIONING IN THE CRIMEA.

C. DRV YOUTH UNION CONGRESS SCHEDULED FOR EARLY 1974.

HANOI RADIO REPORTED ON AUG 9 THAT THE "HO CHI MINH WORKING YOUTH UNION" WOULD HOLD ITS FOURTH NATIONAL CONGRESS IN EARLY 1974. YOUTH UNION ORGANIZATIONS AT ALL SUBORDINATE ECHELONS WERE ORDERED TO HOLD CONGRESSES DURING 1973 TO PREPARE FOR THE NATIONAL CONGRESS. (COMMENT: THE UNION IS THE OFFICIAL CONFIDENTIAL

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YOUTH ORGANIZATION OF THE VIETNAM WORKER'S PARTY (VWP). ITS SCHEDULED CONGRESS IS YET ANOTHER HINT THAT A VWP CONGRESS IS IN THE OFFING.)

D. GVN-PRG BILATERALS: 20TH PLENARY SESSION, AUG 8, 1973

THI (PRG) DELIVERED SHARP ATTACK ON US AND GVN FOR VIOLATING PARIS AGREEMENT, ESPECIALLY PROVISIONS ON CIVILIAN DETAINEES. VIEN (GVN) ASSERTED IT WAS THE OTHER SIDE WHICH WAS VIOLATING THE AGREEMENT AND URGED REAL NEGOTIATIONS. GVN SUGGESTED DELAY OF NEXT MEETING UNTIL EARLY SEPTEMBER TO ACCOMMODATE FRENCH PERSONNEL PROBLEMS, BUT AGREED TO PRG PROPOSAL TO MEET AUGUST 16. HENCEFORTH GVN DEL WILL NOT HOLD PRESS CONFERENCES ON MEETING DAYS IN EFFORT TO FURTHER REDUCE VISIBILITY OF TALKS.

END CONFIDENTIAL

BEGIN UNCLASSIFIED

III. ECONOMIC

A. PRICES

ALTHOUGH THE NON-FOOD SIDE OF THE USAID RETAIL PRICE INDEX DECLINED 1.4 PERCENT DURING THE WEEK ENDING AUGUST 13, THE INDEX AS A WHOLE INCREASED 1.7 PERCENT AS A WIDE RANGE OF FOOD ITEMS PUSHED THAT SIDE OF THE INDEX UP ANOTHER 3.3 PERCENT.

THE ONLY CHANGES REGISTERED ON THE NON-FOOD SIDE OF THE INDEX WERE WATER AND ELECTRICITY (DOWN 10 PERCENT EACH) AND THE COST OF A VISIT TO A DOCTOR (DOWN 8 PERCENT). EACH OF THESE REFLECTED THE REMOVAL OF THE VALUE ADDED TAX ON SERVICES ANNOUNCED AUGUST 9 (SEE PARA C BELOW).

SEVENTEEN OF THE TWENTY FIVE ITEMS ON THE FOOD SIDE OF THE INDEX POSTED INCREASES WHILE ONLY ONE DECREASED. SEVEN SHOWED NO CHANGE. PROTEIN ITEMS (EXCEPT PORK) AND PRODUCE ITEMS GENERALLY ROSE IN A 3 TO 6 PERCENT RANGE (DALAT CABBAGE, HOWEVER, WAS UP 8 PERCENT). ONE REASON CITED FOR SUGAR PRICE INCREASES IS EARLY PURCHASING FOR THE SEPTEMBER 12 MID-AUTUMN FESTIVAL. THE AUGUST 13 LE VU LAN CELEBRATION-AN OFFICIAL BUDDHIST HOLIDAY SIMILAR TO ALL SOULS DAY- PROBABLY CONTRIBUTED TO INCREASED OVERALL FOOD PRICE RISES.

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DOMINANT ELEMENT IN THE 4.3 PERCENT FOOD INCREASE IS THE CONTINUING SPIRAL OF RICE PRICES (UP 7 PERCENT FOR THISWEEK). DELTA DELIVERIES HAVE NOT YET BROUGHT SAIGON SUPPLIES UP TO ADEQUATE LEVELS AND CONFUSION OVER WHETHER THE VAT WILL APPLY

TO THE WHOLESALE PRICE OF RICE HAS CONTINUED EVEN AFTER THE AUGUST 9 A

OUNCEMENT OF LIMITED VAT CURTAILMENT. HOWEVER, DELTA DEP VERIES HAVE BEEN

MUCH HEAVIER THAN USUAL IN THE LAST TWO DAYS AND THERE ARE REPORTS THAT WHOLESALE PRICES MAY HAVE LEVELLED OFF, AT LEAST FOR THE MOMENT.

B. BLACK MARKET CURRENCY AND GOLD PRICES

THERE WAS VIRTUALLY NO CHANGE IN BLACK MARKET CURRENCY QUOTES AS THEY REMAIN JUST BELOW THE OFFICIAL EXCHANGE RATE AT 498.1 AND 493:1 FOR \$100 GREEN AND \$10 GREEN RESPECTIVELY. GOLD LEAF PRICES WERE REPORTED RISING SHARPLY IN MID-WEEK TO 61,000 PIASTERS PER TAEI, AMID FLURRY OF RUMORS OF INCREASING SALES, BUT BY AUGUST 13 HAD DROPPED BACK TO THE LEVEL OF AUGUST 6, 58,500 PIASTERS PER TAEI. THE HK\$/VN\$ CROSSRATE WITH HK\$/US\$ DROPPED FROM 98 TO 97.

C. VALUE ADDED TAX MODIFIED

FOLLOWING AN ALL DAY CABINET MEETING AUGUST 9, CHAIRED BY PRESIDENT, THE PALACE ANNOUNCED SUBSTANTIAL MODIFICATIONS IN THE VALUE ADDED TAX. PALACE ANNOUNCEMENT SAID VAT WOULD HENCEFORTH APPLY ONLY TO IMPORTERS, INDUSTRIALISTS AND WHOLESALERS. RETAIL SALES WERE EXEMPTED. IT ALSO SPECIFICALLY EXEMPTED NUMER-

OUS SERVICE TRANSACTIONS, INCLUDING MEDICAL AND LEGAL SERVICES,
WATER AND ELECTRICITY, AND TRANSPORTATION. THE ANNOUNCEMENT WAS
NOT A MODEL OF CLARITY AND THE TECHNICIANS ARE PRESENTLY TRYING
TO DETERMINE THE TRANSACTIONS ON WHICH VAT WILL BE APPLIED.
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